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PROJECT NO. 53493

Emergency Response Service

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**COMMENTS OF SOUTH-CENTRAL PARTNERSHIP FOR ENERGY EFFICIENCY AS
A RESOURCE ON THE STAFF DISCUSSION DRAFT PROPOSED CHANGES TO
§ 25.507**

NOW COMES South-central Partnership for Energy Efficiency as a Resource (SPEER) and files these comments relating to the staff discussion draft proposed changes to § 25.507 emergency response services (ERS) and the request for public comments filed in this proceeding on April 28, 2022.

Introduction

SPEER is a 501(c)(3) non-profit regional energy efficiency organization (REEO). We are one of six in the country that aims to accelerate the adoption of advanced building systems and energy efficient products and services throughout the nation. We work collaboratively to strengthen local economies, improve health and quality of life, and improve the environment.

Comments

Demand response programs, like ERS, are important tools to alleviate stress on the Texas grid in emergency conditions and as recently seen to prevent future grid emergencies. Texas' population and weather conditions have led to higher peak demand needs in the system. While demand response programs will not fix all grid concerns alone, they continue to provide relief when demand is at its highest. The ERS product allows ERCOT to procure a set amount of contracted load in 30-minute and 10-minute response times from qualified loads and generators in emergency grid conditions. ERCOT will contact participants to begin curtailment of energy

usage when operating reserves are reduced to 3,000 MWs. Current Public Utility Commission (PUCT) substantive rules limit ERCOT to procure \$50 million per calendar year on ERS.

ERCOT procures four times a year in total beginning in December through March, April through May, June through September, and lastly October through November. ERS resources are limited to a maximum of eight cumulative hours in an ERS contract period.

Commission Staff requested comments on proposed amendments to the ERS program that would change contracting period from a calendar year to a 12-month period; raise the ERS maximum procurement from \$50 million to \$75 million; and would establish two separate products, one with a cumulative response time of eight hours and one with a cumulative response time of 24 hours. Staff has also asked:

1. *Should the ERS procurement methodology be changed to provide for the procurement of a specific MW quantity or some other measure than a fixed dollar amount.*

In response to the proposed question from Commission Staff, SPEER would recommend the addition of a percentage-based MW target to ERS procurement process. With the current operating reserve trigger set at 3,000 MW, it would be logical to consider a MW target of at least double the current reserves or higher to be split evenly between the 30-minute and 10-minute products. This would mean roughly 3,000 MW procured in ERS which represents approximately five percent of peak demand. As a result, five percent seems to be a logical percentage to base the model. This total should also be revisited periodically to determine if additional MWs are needed based on ERCOT peak demand forecasting. As an example, peak load for 2030 is currently forecasted at over 86,000 MW. This is 10,000 MW higher than the current record. Establishing a process to review ERS MW need by percentage every two or five years will allow future PUCT commissioners and staff the opportunity to increase ERS as needed to ensure reliability in times of highest demand.

In response to the general proposed amendments, SPEER supports changing to a 12-month contracting period.

SPEER recognizes the need to increase the maximum annual procurement from its current level of \$50 million. It should be noted that this cost cap was set in 2007, since that time the Texas population has grown by approximately six million individuals. In addition to population growth, a report from Republic Title in January 2022 shows that the month over month new single family home construction permits have outperformed the national average, 7.1% to 6.5% respectively. This is important to consider as residential loads represent the largest portion of peak demand. As noted in the response to the specific question above, SPEER believes using a percentage-based approach would eliminate the need for a funding maximum. This would provide ERCOT the ability to grow the program to ensure additional participation and MWs available for curtailment while maintaining grid reliability.

Relating to the establishment of a second ERS product for a new 24-hour cumulative program, under the current rule the eight-hour period can be extended if instructed to do so if the emergency goes beyond the eight-hour timeframe. This second product requiring longer curtailment periods would likely result in significantly higher pricing. Additionally, a second 24-hour cumulative program may yield a small number of participants who are able to meet that 24-hour timeframe further increasing the costs of bids in procurement process. SPEER does not support the creation of a 24-hour product and would recommend refinement of current rule language to allow for a voluntary extension period for an additional eight hours for participants.

Conclusion

SPEER appreciates your consideration and the opportunity to submit these comments and stands ready to participate as the proceeding moves forward.

Respectfully Submitted,



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Executive Summary

Demand response programs like ERS will continue to be a valuable resource as the state's population continues to grow, average temperatures increase, and extreme weather events occur. Peak demand will increasingly be a concern and put added stress to the grid.

SPEER supports efforts to expand ERS which has proven to be effective and increase reliability in the system. Establishing a MW target for the procurement process based on a five percent of peak demand will provide ERCOT flexibility and increase participation in the program. SPEER also recommends establishing a process for periodic review of need based on ERCOT peak demand forecasting every two or five years.

SPEER supports changing the procurement period to a 12-month contracting period.

SPEER does not support the creation of a second 24-hour product due to the likelihood of substantially higher associated costs.